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January 31, 2007

Board of Governors of the
Federal Reserve System
20th and C Streets, N.W.
Washington, D.C. 20551

Attention: Jennifer J. Johnson, Esq.
Secretary

Re: Docket No. R-1270
Proposed Amendment to Regulation E

Governors:

The Clearing House Association L.L.C. (“The Clearing House”)¹ is pleased to comment on the Board’s proposal to amend Regulation E² and its official staff commentary to “create an exception for certain small-dollar transactions from the requirement that terminal receipts be made available to consumers at the time of the transaction.”³

The Board notes that consumers are increasingly using credit and debit cards in place of cash, even for small-dollar purchases such as food or drinks from bought at vending machines or for subway fare. This change is attributed to a number of factors, including convenience, shorter check-out times, and avoidance of ATM fees. In response to these changes

¹ The members of The Clearing House are: Bank of America, National Association; The Bank of New York; Citibank, National Association; Deutsche Bank Trust Company Americas; HSBC Bank USA, National Association; JPMorgan Chase Bank, National Association; LaSalle Bank, National Association; UBS AG; U.S. Bank National Association; Wachovia Bank, National Association; and Wells Fargo Bank, National Association.

² 12 C.F.R. pt. 205.

³ 71 Fed. Reg. 69,500 (Dec. 1, 2006).

in consumer preference, the industry has made a number of changes to its procedures to accommodate the new consumer environment, but is limited in what it can do by Regulation E's requirement that a consumer be provided a terminal receipt for any electronic fund transfer he or she performs at an electric terminal.

In response to industry inquiries, the Board has proposed to create an exception to the terminal-receipt requirement for EFTs of \$15 or less. The Clearing House strongly supports the proposal, but urges the Board to increase the exception to cover EFTs that are \$25 or less.

The Board notes that in proposing the \$15 threshold it considered a number of factors, including the average value of small-dollar EFTs and the benefit of receipts to consumers.⁴ The Clearing House believes that the same factors demonstrate that that \$15 threshold would be too low and that the threshold should be raised to \$25.

The Board cites various sources to show that vending machine purchase can go up to \$2, that subway fares can be as much as \$5, that the average fast-food purchase using debit or credit cards is just under \$12, and that train fare for a commuter on the Long Island Railroad can cost as much as \$20. We believe that these higher figures are indicative of the need to increase the threshold. The proposed \$15 threshold would not help the LIRR or its customer ease through the ticket booth if the passenger wanted to go from Montauk to New York City, and a \$12 average is too close to the proposed threshold to allow many of the higher value purchases that went into calculating that \$12 average.

More importantly, while the Board refers to the changes that the card associations have made to their rules to exempt certain transactions of \$25 or less from signature or PIN authorization requirements,⁵ it did not propose to use the threshold that the card associations chose. We believe that merchants and card associations have a good understanding of what their customers want the market to provide. The fact that the card associations have chosen \$25 as the

⁴ Id. at 69,502.

⁵ Id. at 69,501.

cut-off for the small-dollar transactions that no longer require signatures or PIN authorizations is an indication that \$25 would be the most reasonable threshold for terminal receipts.

For these reasons, The Clearing House urges the Board to adopt its proposal but that it raise the threshold to \$25.

* * * * *

We hope these comments are useful. If you have any questions, please call Joseph R. Alexander, Senior Counsel, at 212-612-9334.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Alexander", with a horizontal line underneath the name.